

DECLASSIFIED
E.O. 12958, Sec. 3.4

NHID 969012

By SD7/V8w Date 10/16/88

DECLASSIFIED
PA/HO Department of State
E.O. 12958, as amended
September 6, 2007

AF/N



DEPARTMENT OF STATE
INFORMATION MEMORANDUM

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December 7, 1971

To : The Acting Secretary

From: AF - C. Robert Moore

12/7/71

Nationalization of British Petroleum in Libya

The Libyan Radio and Libyan News Agency announced December 7 the nationalization of British Petroleum's subsidiary in Libya, BP Exploration Company (Libya) Ltd. BP may have been nationalized because of Libya's intense dissatisfaction with what it believes is the UK role in the Iranian seizure of the Persian Gulf islands. The seizure may also have reflected LARG frustration over its inability to resolve a long-outstanding financial dispute with the UK centering around the aborted sale of a missile defense system by the UK to the former regime for which the monarchy had made a substantial down payment.

In seizing BP Libya, the LARG hits the British government as well as the company, since HMG owns nearly 50 percent of the parent company. Libya announced a new company will be formed, the Arabian Gulf Prospecting Company, to take over BP's assets.

With production in Libya of 200,000 barrels per day, BP is one of the largest oil producing and exporting companies there. Its importance to us is that it operates in equal partnership with Nelson Bunker Hunt of Texas. There was no indication Libya intends to take over Bunker Hunt or to nationalize other companies. However, BP was the operator of the joint BP-Bunker Hunt concession. If BP withdraws its personnel, there may be temporary difficulties in finding technicians to carry out oil operations in that concession area. The Libyan action will also throw a fright into the other oil companies, chiefly American, regarding their future.

PET 15-2 Libya re PET 69K

AF/N: UCLark Jr. PW

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The British Embassy in Tripoli expressed fears December 4 that Libya might take some drastic move against British interest, including a break in diplomatic relations. As yet, there is no indication either side intends to break relations. However, earlier unconfirmed reports indicated Libya was transferring funds out of London. Its total funds there probably amount to over \$2 billion. If confirmed, this transfer obviously might pose major financial problems, at least temporarily, for the UK.

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AF/N:WClark^e, Jr.:pw
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Concurrences: E/ORF/FSE - Mr. Brown(draft)^e
EUR/BMI - Mr. Griffiths(subs)^e
AF/N - Mr. Blake(draft)^e